

DIVISION OF CONSUMER ADVOCACY  
 Department of Commerce and  
 Consumer Affairs  
 335 Merchant Street, Room 326  
 Honolulu, Hawaii 96813  
 Telephone: (808) 586-2800

BEFORE THE PUBLIC UTILITIES COMMISSION  
 OF THE STATE OF HAWAII

PUBLIC UTILITIES  
 COMMISSION

2006 DEC 21 P 4: 04

FILED

In the Matter of the Application of )  
 )  
 MAUI ELECTRIC COMPANY, LIMITED )  
 )  
 For Approval of Rate Increases and )  
 Revised Rate Schedules and Rules )

DOCKET NO. 2006-0387

**DIVISION OF CONSUMER ADVOCACY'S**  
**RESPONSE TO MAUI ELECTRIC COMPANY, LTD'S**  
**MOTION FOR APPROVAL OF TEST PERIOD WAIVER**

By motion filed on December 19, 2006, Maui Electric Company, Ltd. ("MECO" or "Company") seeks a waiver of the requirements of the Commission's Rules of Practice and Procedure, Hawaii Administrative Rules ("HAR") § 6-61-87(4). MECO maintains that the waiver is required in order to file a general rate increase application after January 31, 2007 (but before June 30, 2007) using a 2007 calendar test year. Motion for Approval of Test Period Waiver (hereinafter "MECO's Motion") at 1. The Company states that without the waiver, MECO would need to file its application for rate relief using a "split test year" covering the period July 1, 2007 through June 30, 2008. MECO argues that such a requirement would pose a hardship on the Company since MECO's budgeting, forecasting and financial reporting processes are based on a calendar year.

Thus, use of a 2007 calendar test year would facilitate the presentation and analysis of the test year estimates.

The Consumer Advocate does not oppose the request for the following reasons. First, the Consumer Advocate concurs that use of a calendar test year should allow for a more efficient processing of the rate application when the utility's financial records and budgeting process are also on a calendar year basis. The test year projections can thus be easily compared to historical experience for trending purposes. If the test year waiver is not granted, the analyst may be required to restate the historical data to ensure that the period for which the historical data is presented is consistent with the test year forecast.

Second, using the 2007 calendar year as the test year will allow for greater certainty of the operating results upon which the test year revenue requirement is based. Rather than rely solely on forecasts for each of the revenue requirement elements, there will be a greater period of actual experience during the test year to better assess the reasonableness of the test year revenue requirement projections.

Third, the Consumer Advocate notes that use of a forecasted test year is a means of mitigating the impacts of regulatory lag during high inflationary periods. Recent experience has indicated that we are not in a high inflationary period, so use of the 2007 calendar test year should not be deemed to be a factor that contributes to regulatory lag.

Fourth, as noted in MECO's Motion, the Commission has previously granted requests to use a calendar test year when the Commission's administrative rules required the use of a "split test year."

For all of the above, the Consumer Advocate states that it does not oppose the request to use a 2007 calendar test year.

DATED: Honolulu, Hawaii, December 21, 2006.

Respectfully submitted,

By *Cheryl S. Kikuta*  
CHERYL S. KIKUTA  
Utilities Administrator

DIVISION OF CONSUMER ADVOCACY

**CERTIFICATE OF SERVICE**

I hereby certify that a copy of the foregoing **DIVISION OF CONSUMER ADVOCACY'S RESPONSE TO MAUI ELECTRIC COMPANY, LTD'S MOTION FOR APPROVAL OF TEST PERIOD WAIVER** was duly served upon the following parties, by personal service, hand delivery, and/or U.S. mail, postage prepaid, and properly addressed pursuant to HAR § 6-61-21(d).

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DATED: Honolulu, Hawaii, December 21, 2006.

  
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